



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Unity Bancorp

Person to be contacted regarding this report:	Alan Bedner
CPP Funds Received:	\$20,649,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	12/5/2008
Date Repaid ¹ :	

RSSD: (For Bank Holding Companies)	2181426
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	33503
City:	Clinton
State:	New Jersey

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	Loan volume for all lending was approx. \$80 million for 2009. Had the Bank not received CPP Capital this loan volume would have been significantly reduced. The reduction in lending was a result of the lack of qualified loan applicants in addition to the bank focusing on stabilizing credit quality.
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<input type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	N/A
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	Primarily short average life mortgage-backed securities. These investments were structured to provide ample liquidity to allow us to continue lending for the foreseeable future and as loan demand from borrowers permits.
<input type="checkbox"/>	Make other investments	N/A
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	Unity Bancorp has utilized the CPP funds to significantly increase its reserves for non performing assets. Total ALLR was \$13.8 million, or 2.11% of total loans at December 31, 2009, compared to \$10.3 million, or 1.51% of total loans at December 31, 2008.

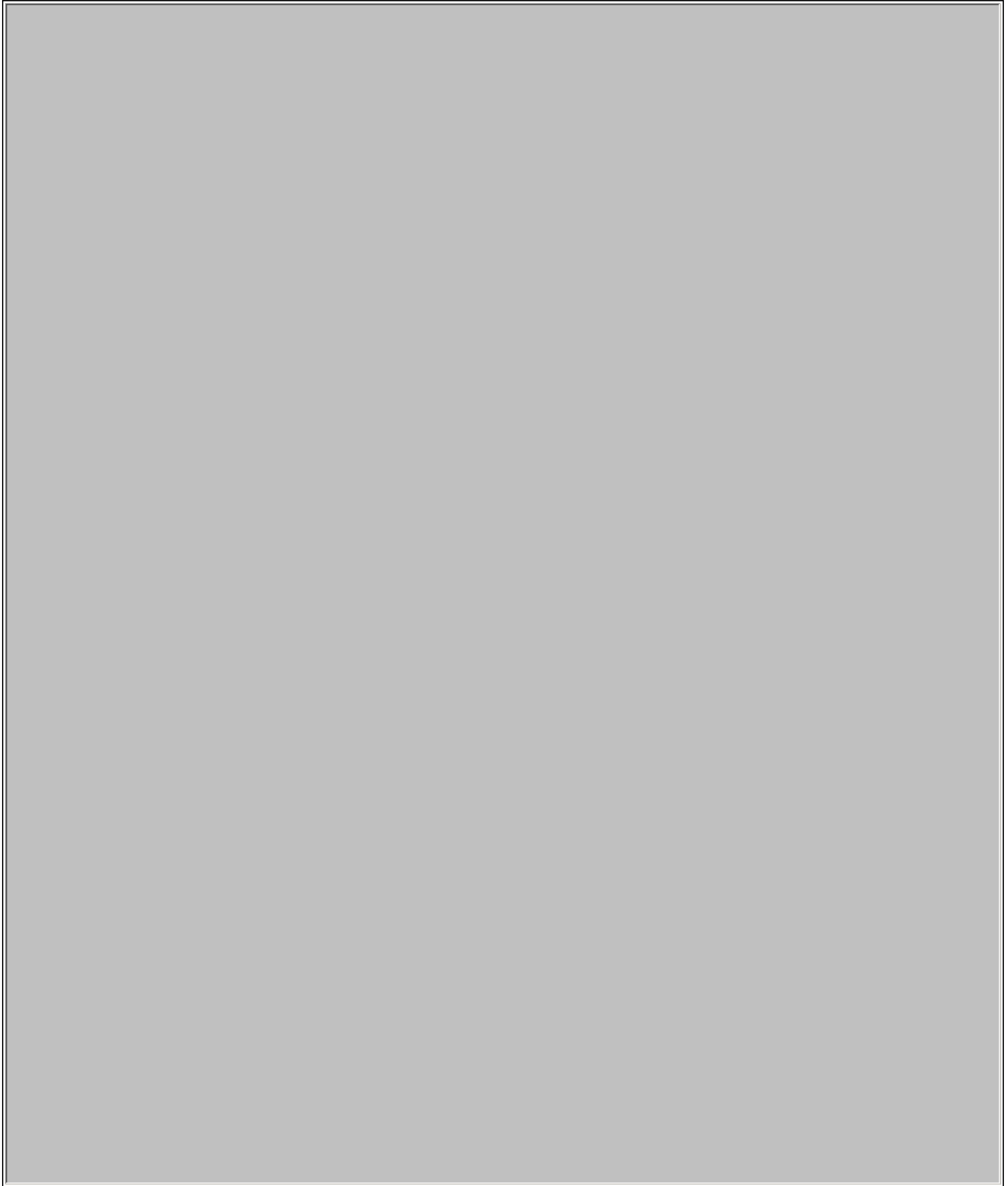
<input type="checkbox"/>	Reduce borrowings	N/A
<input checked="" type="checkbox"/>	Increase charge-offs	Net charge off s for the full year December 31, 2009, were \$4.5 million, compared to \$2.6 million in the prior year.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	N/A
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	Primary use of CPP funds was to bolster Capital levels.

What actions were you able to avoid because of the capital infusion of CPP funds?

The primary use of the CPP Funds was to bolster Unity Bancorp's Capital levels. At September 30, 2008, the Company was marginally well capitalized. The leverage ratio was 7.42%, Tier 1 Capital was 9.07% and Total Capital was 10.33%. Due to the extent of the downturn in the economy the option of raising capital was not available in the market. Had the Company not received the CPP funds we would have started to shrink the balance sheet to improve capital levels. We would have significantly reduced lending, demanded loans and decreased the securities portfolio. The CPP funds allowed us to stabilize our capital levels and resume lending. Unity Bancorp's loan portfolio was \$657 million at December 31, 2009, down \$28.9 million, or 4.2% from the prior year. The reduction in lending was a result of the lack of qualified loan applicants, in addition to the bank focusing on stabilizing credit quality. Significant marketing regarding lending occurred during 2009.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

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According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.